

Message Text

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PAGE 01 EC BRU 02927 031258Z

63

ACTION EUR-12

INFO OCT-01 ISO-00 IO-10 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 DODE-00 PA-01

USIA-06 PRS-01 ERDA-05 FPC-01 H-02 INT-05 L-02 NSC-05

PM-03 OES-03 SS-15 FEA-01 /110 W

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TO SECSTATE WASHDC 8592

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E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJECT: STEEL-- POSSIBLE EC SAFEGUARD MEASURES UNDER THE EUROPEAN
COAL AND STEEL TREATY

REF: PARIS 7752

1. SUMMARY: COMMISSION OFFICIALS ARE STUDYING THE SITUATION
IN THE EUROPEAN STEEL INDUSTRY TO DETERMINE IF THE
DETERIORATING SITUATION IN THE INDUSTRY REQUIRES EITHER
INTERNAL SAFEGUARD MEASURES (SETTING MINIMUM PRICES AND
PRODUCTION QUOTAS) OR EXTERNAL MEASURES (IMPORT QUOTAS).
AN EC COMMISSION OFFICIAL TOLD US THAT HE DID NOT EXPECT
THE COMMISSION TO RECOMMEND IMPORT QUOTAS AND ASSURED US
THAT IF AND WHEN MEASURES CONCERNING EXTERNAL TRADE WERE
CONSIDERED BY THE COMMISSION THEY WOULD NOT ACT WITHOUT
EXTENSIVE CONSULTATIONS WITH THE U.S. END SUMMARY.

2. ON APRIL 1 WE ASKED JOHANNES PETRICK, THE EC
COMMISSION DIRECTOR RESPONSIBLE FOR STEEL, WHAT THE
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PAGE 02 EC BRU 02927 031258Z

EC COMMISSION CONTEMPLATED DOING IN RESPONSE TO A DECLARATION

BY JACQUES FERRY, PRESIDENT OF THE FRENCH STEEL PRODUCERS ASSOC., CALLING FOR THE COMMUNITY TO APPLY SAFEGUARD MEASURES UNDER THE ECSC TREATY TO ALLEVIATE CURRENT DIFFICULTIES IN THE EUROPEAN STEEL INDUSTRY. HE SAID THAT THE COMMISSION HAS ISSUED A PRESS RELEASE SAYING IT HAD TAKEN NOTE OF FERRY'S DECLARATION AND THAT IT WAS STUDYING THE SITUATION CLOSELY TO SEE IF MEASURES WERE NECESSARY UNDER THE ECSC TREATY. THE PRESS RELEASE POINTED OUT THAT CERTAIN INITIATIVES COULD BE TAKEN BY THE COMMISSION UNDER THE ECSC WITHOUT A FORMAL REQUEST BY THE MEMBER STATES.

3. PETRICK SAID THAT HE WOULD BE SPENDING THIS WEEK GATHERING INFORMATION ON THE PRESENT DIFFICULTIES IN THE EUROPEAN STEEL INDUSTRY AND ON APRIL 7 OR 8 WOULD MEET WITH COMMISSIONER SPINELLI TO DISCUSS HIS FINDINGS. HE REMARKED THAT THE PROBLEM FOR THE EUROPEAN STEEL INDUSTRY WAS NOT SO MUCH OF THE DROP IN ORDERS, BUT THE DECLINE IN PRICES AT WHICH THEY HAD TO OFFER THEIR STEEL. IN THIS CONNECTION HE MENTIONED THAT THE JAPANESE HAVE INCREASED THE DOWNWARD PRESSURE ON PRICES BY LOWERING THEIR QUOTATIONS. (ANOTHER EC OFFICIAL WORKING ON STEEL TOLD US THAT THE PROBLEM IS THAT INTEGRATED STEEL MILLS ARE UNECONOMIC AS COMPARED TO ELECTRIC FURNACE MILLS AND ARE IN SERIOUS DIFFICULTY.)

4. PETRICK SAID THAT HE PERSONALLY HOPED THAT NO ACTION WOULD BE NECESSARY BECAUSE THE COMMISSION HAS ALWAYS BEEN RELUCTANT TO INTERVENE AND HAS SUPPORTED A FREE MARKET IN STEEL. REGARDING THE RELEVANT ARTICLES OF THE ECSC TREATY, HE POINTED OUT THAT ALTHOUGH ART. 61 (SETTING OF MAXIMUM AND MINIMUM PRICES) COULD BE APPLIED AND MINIMUM PRICES SET WITHOUT A FINDING OF "MANIFEST CRISIS", TO BE EFFECTIVE ART. 61 WOULD HAVE TO BE ACCOMPANIED BY SETTING PRODUCTION QUOTAS UNDER ART. 58. THE LATTER ARTICLE REQUIRED A "MANIFEST CRISIS" FINDING.

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PAGE 03 EC BRU 02927 031258Z

5. REGARDING THE POSSIBILITY THAT THE COMMISSION MIGHT RECOMMEND THAT THE MEMBER STATES IMPOSE QUANTITATIVE IMPORT RESTRICTIONS (ART. 74), PETRICK SAID HE DID NOT EXPECT EXTERNAL MEASURES TO BE TAKEN. HE DID MENTION, HOWEVER, THAT SELECTIVE CONTROLS MIGHT BE CONSIDERED AGAINST STEEL FROM EASTERN EUROPE. WE TOOK THE OCCASION TO POINT OUT THAT ANY

MEASURES AGAINST IMPORTS OF AMERICAN STEEL WOULD BE MOST INOPPORTUNE. PETRICK REPLIED THAT HE WAS FULLY AWARE OF THE STEEL SITUATION IN THE US AND THAT THE COMMISSION WAS ALWAYS VERY CONCERNED ABOUT HAVING THE BEST RELATIONS WITH THE US. HE OFFERED HIS PERSONAL ASSURANCE THAT IF AND WHEN THE COMMISSION THINKS ABOUT MEASURES CONCERNING EXTERNAL TRADE, THEY WOULD DO NOTHING THAT COULD AFFECT US INTERESTS WITHOUT VERY EXTENSIVE CONSULTATIONS WITH THE US.

6. PETRICK REMARKED THAT EVEN IF THE EVIDENCE SUGGESTED THAT THE COMMISSION RECOMMEND SAFEGUARD MEASURES, SUCH AS PRODUCTION QUOTAS UNDER ART. 58, HE THOUGHT IT MIGHT BE RELUCTANT TO DO SO BECAUSE OF THE BRITISH REFERENDUM. HE SAID COMMISSION OFFICIALS WOULD ENVISION BRITISH MINISTER OF INDUSTRY WEDGWOOD BENN USING COMMISSION INTERVENTION ON STEEL PRODUCTION AS AN EXAMPLE OF THE ABANDONMENT OF UK SOVEREIGNTY TO BRUSSELS. MYERSON

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